

VZCZCXRO3058
PP RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHSB #0737/01 2291157
ZNR UUUUU ZZH
P 171157Z AUG 07
FM AMEMBASSY HARARE
TO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 1786
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHUJA/AMEMBASSY ABUJA 1676
RUEHAR/AMEMBASSY ACCRA 1548
RUEHDS/AMEMBASSY ADDIS ABABA 1680
RUEHBY/AMEMBASSY CANBERRA 0946
RUEHDK/AMEMBASSY DAKAR 1309
RUEHKM/AMEMBASSY KAMPALA 1737
RUEHNR/AMEMBASSY NAIROBI 4154
RUEHFR/AMEMBASSY PARIS 1507
RUEHRO/AMEMBASSY ROME 2170
RUEHBS/USEU BRUSSELS
RUEHGV/USMISSION GENEVA 0801
RHEHAAA/NSC WASHDC
RUCNDT/USMISSION USUN NEW YORK 1897
RHMFISS/JOINT STAFF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEFDIA/DIA WASHDC//DHO-7//
RUCPDO/DEPT OF COMMERCE WASHDC
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//
RUEPGBA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

UNCLAS SECTION 01 OF 02 HARARE 000737

SIPDIS

SENSITIVE
SIPDIS

AF/S FOR S. HILL
NSC FOR SENIOR AFRICA DIRECTOR B. PITTMAN
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
TREASURY FOR J. RALYEA AND T.RAND
COMMERCE FOR BECKY ERKUL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [ZI](#)
SUBJECT: PRIVATE SECTOR PUTS INFLATION AT MID-20,000 PERCENT

REF: HARARE 0657

Summary

1. (SBU) The respected PricewaterhouseCoopers (PWC) monthly report on the cost of living put Zimbabwe's inflation rate in the mid 20,000 percent in July, down several thousand percent from its June figures. The monthly rate of increase collapsed from the triple to the single digits in July as a result of the GOZ's price crackdown. Up to half of the items in the consumer basket, however, have disappeared from the shelves, with low-income earners affected most by the ensuing disruption in supply. The rate of inflation measured by the actual prices the consumer pays for food and goods, including increasingly on the black market, is likely to keep rising.
End Summary.

2. (SBU) The respected PWC Cost of Living Analysis for the month of July put the annual rate of inflation at 26,029 percent for low-income earners, 24,473 percent for high earners, and 23,726 percent for the middle-income category, down between about 2,000 and 5,000 percent from the previous month. The main driver in the annual increase for the low-income group was a 37,900 percent rise in the cost of vegetables and fruits, which make up about 50 percent of that consumer basket, plus a 35,700 percent increase in the cost of transport.

¶3. (SBU) As a result of the GOZ's directive to peg prices at the June 18 level (reftel), the monthly rate of increase in the cost of living in July collapsed from a record high average of 209 percent across the income groups in June (roughly triple the May rate) to an average of 7 percent in July. Notably, the cost of schooling still jumped 180 percent in July for low earners and rent surged 200 percent for the same group.

¶4. (SBU) PWC reported that 26 percent of the goods in the high-income basket, 31 percent of the middle-income products and 54 percent of the low-income basket were unavailable in the formal market in July, indicating that the poor have been hit worst by the breakdown in the supply chain. Among the products missing entirely from the shelves were eggs, most meat products, the favorite local soft drink, washing soap, and washing powder.

¶5. (U) The Consumer Council of Zimbabwe (CCZ) reported annual inflation in June at 13,445 percent. It calculated that prices had risen 126.8 percent in the month of June by the time the Cabinet Taskforce intervened, with the highest monthly rates of increase in white sugar (164 percent), fresh milk (137 percent) and rice (186 percent). CCZ's July figures are not yet available. The GOZ's Central Statistical Office, the official source of the Consumer Price Index, has not issued inflation figures since April.

Comment

HARARE 00000737 002 OF 002

¶6. (SBU) Newly announced prices represent a modest loosening of price controls, but the new prices still do not cover all costs and a profit margin, and are unlikely to re-vitalize the supply chain. Every indication is that the real rate of inflation (as reflected in actual consumer purchases, including those increasingly made on the black market) is stuck well in the 5-digits and will likely rise as long as the GOZ fails to address core economic issues.
DHANANI